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External Affairs and Defence

British Foreign Policy 371
East-West Relations 373
Trade Relations with Japan 376
Developments in the European Community 377
Overseas Aid 378
Shorter Notes
Pakistan: Readmission to the Commonwealth 379
Co-Financing Agreement with the World Bank 380
Emergency Relief for the Caribbean 380

Economic and Scientific Affairs

National Accounts 1988 381
Overseas Direct Investment 383
Chancellor's Speech at International Monetary Fund Meeting 385
British Consultancy Overseas 387
Health and Safety 388
New LINK Programmes 389
Shorter Notes
Industrial Development Act Report 390
Transport in Northern Ireland 391
Waste Disposal 391

Social and Cultural Affairs

Measures against Illicit Drug Trafficking 392
Shorter Notes
New Heart Transplant Centres 393
Literacy and Numeracy Initiative 393
Derelict Land 393

Documentation 395

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NOTE

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EXTERNAL AFFAIRS AND DEFENCE

British Foreign Policy

Britain's views on the major problems facing the international community, and the role of the United Nations in resolving them, were discussed by the Foreign and Commonwealth Secretary, Mr John Major, in a speech to the United Nations General Assembly on 27 September. The United Nations, Mr Major emphasised, was 'the best framework our predecessors could devise for law, for order and for peace'. Today, with 'the feeling of hope and opportunity in world affairs . . . greater now than at any time since the Assembly first met in London [in 1946]', there were real opportunities for the United Nations to make good use of that framework.

In his speech, Mr Major paid particular attention to East-West relations, Southern Africa, the Middle East, Vietnamese boat people, Hong Kong, drug trafficking and environmental problems.

East-West Relations

The first priority for East-West relations, Mr Major said, was to support and encourage the process of reform which was under way in the Soviet Union and Eastern Europe (see p 373). With freedom no longer seen as a threat – and Mr Major hoped that the Soviet Union had buried once and for all the Brezhnev doctrine which had been used to justify the 1968 invasion of Czechoslovakia – there was a real opportunity to build a new Europe. A co-ordinated approach, including very substantial economic support, was essential, and the European Community had made clear its readiness to play its full part with both short- and long-term measures (see p 313). 'The goal is a Europe of peace, prosperity and freedom where the terms East and West have more to do with geography than with politics. A Europe without enforced divisions whose people are at liberty to determine their own future.'

Increased trust, continued Mr Major, would assist the process of arms control where success was a priority. The North Atlantic Treaty Organisation (NATO), which for 40 years had resolutely maintained peace in Europe, was now seeking to consolidate that peace by tabling far-reaching conventional arms proposals (see pp 222-30). Their aim was enhanced security at equal and lower levels of forces in Europe. Similarly, recent US-Soviet progress towards an early strategic arms limitation agreement, including a proposed 50 per cent cut in their nuclear arsenals, could make a major contribution to international security and stability.

Mr Major also welcomed proposals made by the United States on a chemical weapons ban and the positive Soviet response to them (see p 376).

Southern Africa

In Namibia, Mr Major said, the international community and the United Nations had shown what co-operation could achieve (see pp 95-6). The Namibian independence process was the direct responsibility of the United Nations, and it was vital for member states to give it their full support. Equally, all the parties in Namibia had to show restraint, since violence and intimidation would only serve those wishing to deny freedom to Namibia. Britain was prepared to play a full part in assisting Namibia after independence.

South Africa remained the key to lasting stability in Southern Africa. In the recent elections the new South African President, Mr F. W. de Klerk, had campaigned on a platform of reform and had committed himself to work for a new South Africa in which all the people would be fully represented.[1] There was a clear mandate for change, which now had to be turned into action. Apartheid could not, and did not, deserve to survive: 'It is not something to be tolerated or to be patient with. It is something to oppose, constantly and comprehensively.'

Rejecting violence or economic sanctions as solutions to the problem, Mr Major said that unremitting political pressure had to be brought on South Africa to reform itself. Assistance and support had to be given to the innocent victims of apartheid within South Africa[2] and help granted to the economies of South Africa's neighbours to defend them against attempts at destabilisation.[3]

Mr Major added: 'The new Government in South Africa must now move quickly and unambiguously to meet its commitment to fundamental reform. A new and just society cannot be constructed overnight. But we are clear what should happen. We want to see the release of detainees, the lifting of the

[1] In the elections held for the white House of Assembly on 6 September the National Party received 93 seats, the liberal Democratic Party 33 and the right-wing Conservative Party 39.

[2] For many years Britain has supplied assistance to black South Africans through non-government organisations there, principally by providing training; some 600 awards for study in Britain and South Africa were financed in 1988-89. By the end of 1990 this will rise to around 1000 awards, including awards under a new scheme named after Mrs Helen Suzman, a former liberal member of the South African Parliament and an opponent of apartheid.

[3] In 1988 Britain provided £170 million in bilateral aid to states belonging to the Southern African Development Co-ordination Conference (SADCC – see pp 97-9); since 1980 such aid, together with support for SADCC projects, has amounted to more than £1,100 million.

state of emergency, the suspension of violence and a dialogue with black leaders to consider and to implement the changes that must be made.'

Middle East

In the Middle East, a major breakthrough had been the renunciation of terrorism by the Palestinian Liberation Organisation (PLO) and its willingness to recognise Israel (see pp 12-13). The Israeli Government's proposal for elections in the occupied territories was also a positive step forward[1] and Britain hoped that the PLO would come to recognise this. Elections had to be part of a process leading to negotiations on the basis of Security Council Resolutions 242 and 338 and the best framework for these was an international conference under United Nations auspices.

The hostages in Lebanon, Mr Major said, were the victims of a detestable form of blackmail threatening the entire international community. Three British hostages had been held for a total of more than 2,000 days. They could not be forgotten or overlooked and every opportunity had to be taken to press for their unconditional release. Countries with influence on the hostage takers had to use this influence without delay to secure the release of the hostages, for it was time that they were returned to their families. The international community, however, could not give in to the blackmail of terrorists and work was required on the adoption of specific counter measures.

China and Hong Kong

Earlier in the year, Mr Major said, the world had been shocked to see Chinese troops kill and wound their fellow citizens on the orders of their own Government (see pp 232-4). The measures taken by Britain in response to those events were not intended to isolate the People's Republic of China, since it hoped to see China return to genuine reform and repair the damage done to its international relations. No government could survive indefinitely by the suppression of peaceful dissent.

Hong Kong would revert to China in 1997 by treaty and would also preserve its traditional freedoms and way of life (see pp 267-70). The Sino-British Joint Declaration of 1984 was a binding treaty and had been registered as such by Britain and China at the United Nations. Both countries had reaffirmed their commitments and these had now to be reflected in action. Practical reassurances were required from China to the people of Hong Kong so that they could feel secure in their future both up to 1997 and beyond. It would take time, steady nerves and, above all, an explicitly supportive attitude on the part of China to restore Hong Kong's confidence in its future.

Britain would continue vigorously to represent the interests of the people of Hong Kong in discussions with China. It also intended to introduce concrete measures to reassure people in the territory about their future. These would include the early introduction of a Bill of Rights, the development of more representative government and guarantees of resettlement in Britain designed to encourage people essential to Hong Kong's future stability and prosperity to stay there. In addition, Hong Kong needed international understanding and support, and Britain hoped that this would be recognised by the United Nations.

Vietnamese Boat People

The continuing human exodus from Vietnam had imposed an insuperable burden on places of first asylum in South-East Asia, including Hong Kong which had more than 56,000 boat people in its camps, over 32,000 having arrived in 1989. Most of these people were not political refugees under the criteria laid down by the United Nations High Commissioner for Refugees (UNHCR), having left Vietnam for economic reasons and not because of political pressure. At Geneva in June (see pp 265-7) it had been agreed that people determined as not being refugees should return to their own countries. This was the only answer. So far, only a few of them had volunteered to return and Britain looked to the UNHCR to increase its counselling efforts to ensure that more of them were made aware that there was no future for them outside their own country.

In mid-October the international community would review developments since the Geneva Conference. The main purpose had to be to agree a programme of repatriation under the UNHCR's good offices. Mr Major added: 'This must involve the phased, orderly and monitored return and reintegration, in safety and dignity, of all those who are not genuine refugees. To achieve this, Vietnam must assume full responsibility for its own people and co-operate in the programme. We shall work in good faith with the Vietnamese authorities to this end.'

Drug Trafficking

Turning to the problem of illegal drug trafficking, Mr Major said that the power of the traffickers transcended national boundaries and demanded an international response. Britain, therefore, had approved a substantial package of assistance, comprising communications equipment, technical assistance and training for the Colombian anti-drugs campaign (see p 392). In addition, to help reduce demand in consumer countries, Britain would be hosting, in close co-operation with the United Nations, a major international conference in London in April 1990 (see p 392). All states needed to ratify the UN Convention on Illicit Traffic in Narcotic Drugs and Psychotropic Substances (see p 15). Britain intended to do so and had also signed nine agreements with other countries permitting the tracing and the confiscation of the assets of drug traffickers.

The Environment

Commenting on the fragility of the environment, Mr Major said that stronger international institutions and priorities were required to meet this global challenge. Britain had more than doubled its voluntary financial contribution to the UN Environment Programme and in May 1989 had called for the early negotiation of an international convention on climate change (see pp 240-1). It was also helping to protect tropical forests (see pp 186 and 309) whose importance in both climate and resource terms was

[1] The proposals envisage elections of local Palestinian representatives who would negotiate with Israel on a transitional period of self administration in the occupied territories, to be followed by negotiations on final status.

now far better understood. The priorities of preservation had to live alongside those of development and economic growth and a balance struck. Development had to be sustainable, to benefit humankind and to protect the environment.

East-West Relations

Progress in Soviet internal reforms, human rights questions, arms control, and bilateral relations were discussed in talks in Moscow between the Prime Minister, Mrs Margaret Thatcher, and the Soviet President, Mr Mikhail Gorbachev, on 23 September.

British-Soviet Talks

At the talks during a stop-over on Mrs Thatcher's return from Japan (see p 376), Mr Gorbachev gave the Prime Minister an account of the current Soviet internal situation and his reform programme, the centrepiece of which was democratisation and decentralisation. His programme of restructuring of the economy *(perestroika)* had overwhelming support, he said, although there were critics both on the right and the left. The biggest immediate economic problem was inflation. On the question of nationalities, the Soviet leader said that he wanted to give real content to the concept of federation but Soviet society had to be kept together as one.[1]

On the Prime Minister's question about *refuseniks* (Jews who have had their application to emigrate turned down) and the need for soundly based legislation on emigration and other human rights issues, Mr Gorbachev said that there should be no practical difficulties in the way of those who wanted to leave the Soviet Union and that legislation to facilitate this was in hand.

The two leaders also discussed the negotiations on conventional forces in Europe (CFE), chemical weapons, and nuclear issues. Mr Gorbachev stressed his commitment to serious negotiations on strategic arms reduction (START), and welcomed the West's July CFE proposals (see pp 376, 90-2 and 222-30). It was agreed that both Britain and the Soviet Union wanted a CFE accord in 1990.

Mrs Thatcher and Mr Gorbachev also discussed bilateral relations, including trade, and regional issues.

At a press conference in Moscow on 23 September, Mrs Thatcher reaffirmed her 'very strong support for the historic changes which are taking place in the Soviet Union'. These were 'leading to greater political liberty and the prospect of real prosperity for ordinary people as well as much better relations between East and West'. Political reform had gone 'far further, far faster than any of us could ever have thought and it seems to me that they have transformed the whole atmosphere'. Political reform would be easier to achieve than economic reform, by the Soviet Government taking the requisite action, although this required a great deal of boldness, courage and vision, all of which were forthcoming from Mr Gorbachev. Economic reform, however, could only come about with the active and willing co-operation of the people. 'If you take freedom then you must take responsibility with it and it is the exercise of that responsibility and that effort and initiative which bring about the economic reform.' While it would take longer than political reform, Mrs Thatcher was convinced that it would happen, believing also 'that the prospects for greater prosperity for the people of the Soviet Union are greater than they have been at any time during the last 70 years'.

On the START negotiations, Mrs Thatcher pointed out that it was not the will to get a result that was holding them up but a number of technicalities which had to be resolved, along with verification difficulties.

Reforms in the Soviet Union and Eastern Europe

Since becoming General Secretary of the Communist Party of the Soviet Union in 1985, Mr Gorbachev has been carrying out a reform programme, based on 'openness' *(glasnost)* and 'democratisation'; and the restructuring of the Soviet economy, by cutting down unnecessary bureaucracy, allowing local managers to take the initiative in making decisions, such as production levels and prices (which are to be adjusted to phase out subsidies and reflect production costs).

Political reforms, approved by a special conference in October 1988, involve the abolition of many of the Communist Party's central committee departments, the introduction of an executive President (Mr Gorbachev, while continuing as party leader) and the creation of a new elected body, the 2,250-seat Congress of National Deputies, and a 542-seat legislative Supreme Soviet, elected from the Congress. The elections to the Congress, in which a third of the seats were allocated to constituencies by nationality, a third to constituencies by territory and a third to 'social organisations' (including the Communist Party, the official Trade Union and the Communist Youth League), took place in March 1989. Although the Communist Party provided 90 per cent of the candidates, some senior local party leaders failed to get elected. A new group of radical deputies, including the human rights activist Dr Andrei Sakharov, has been set up to press for further reform. The elections to the Supreme Soviet took place in May and June.

Poland (see pp 343-4) and Hungary have followed President Gorbachev's programme of *glasnost* and *perestroika* with a wide range of political, economic, and social reforms. In Hungary, political reforms include the introduction in 1985 of multi-candidate elections to Parliament and the formation of other political groups in 1988; in January 1989 political parties and independent trade unions were legalised. At the end of June 1989, Hungary agreed to dismantle its barbed-wire fence with Austria that had formed part of the 'iron curtain' dividing Eastern Europe from the West. In the same month, round-table discussions began between the communist Hungarian Socialist Workers Party and the major

[1] In addition to pressure for independence in the Baltic republics of Estonia, Latvia, and Lithuania, which were taken over by the Soviet Union in 1940 following an agreement in 1939 with Nazi Germany, there are other national movements in parts of the Soviet Union (including the Ukraine and the Caucasian republics) demanding greater autonomy.

opposition groups on electoral procedures, the establishment of a President (the election for which is scheduled for 25 November), and a range of new laws and economic policy. On 7 October, the communist party voted with a 80 per cent majority to dissolve itself and establish a new Socialist Party committed to a multi-party political system, a government answerable to an elected parliament, and an independent judiciary. On 18 October, the Hungarian Parliament abolished the 1949 one-party republic, and approved a constitution of 'an independent, democratic, legal state in which the values of bourgeois democracy and democratic socialism prevail in equal measure'. The new Hungarian Republic was proclaimed on 23 October.

Economic reforms in Hungary include the introduction of personal taxation and VAT, banking reforms, the re-establishment of a stock exchange, and changes in corporate laws to permit the formation of joint stock companies with domestic and foreign investments; the country has also signed agreements with the International Monetary Fund (IMF) regarding investments in joint ventures, and with the European Community on trade co-operation.[1]

Western Economic Assistance

Speaking at a press conference in New York on 28 September, the Foreign and Commonwealth Secretary, Mr John Major, said that Britain recognised that Poland and Hungary had very considerable economic difficulties, and their need for help during the period of their reforms. An agreement had already been reached between the European Community and Poland on 19 September, designed to improve access to the Community for Polish exports and to allow greater commercial and economic co-operation; food aid was also being planned. The Government believed strongly that Britain should provide further assistance through the European Community.[2] Bilaterally, Britain had agreed to provide Poland with a 'know-how fund' (see p 343) and was looking to see what precisely Hungary needed. (On 12 October, Mr Major announced the setting up of a similar £25-million five-year aid package with Hungary, designed to help it in running elections, launching newspapers, forming political parties and building businesses.) The concern was to ensure that both Hungary and Poland were able to continue in the most stable fashion possible with both their political and economic reforms. The two countries needed IMF packages, and Britain would also support a debt-rescheduling agreement with the Paris Club (see footnote to p 299, 1988). Mr Major pointed out, however, that it would be a mistake 'to provide aid at an early date in such large quantity that it actually provided no need for the internal reforms that need to be made in both those countries. At the end of the day, the success of what is happening in Poland and Hungary, as indeed in the Soviet Union, will depend upon the decisions taken by the Governments of those three countries and the internal response to them. We are willing to help as far as we can, but cannot take those decisions for them.'

Human Rights in the Soviet Union and Eastern Europe

The British Government's latest review of human rights in the Soviet Union and Eastern Europe (see pp 47-8), for the six months to June 1989, recorded some major developments in Soviet and East European implementation of commitments under the Helsinki Final Act. The adoption in January 1989 of the Vienna Conference on Security and Co-operation in Europe (CSCE) concluding document (see pp 43-9), including significant new commitments on human rights, demonstrated the apparent willingness of most of the Warsaw Pact countries to comply in future with all CSCE obligations. In some countries 'the unprecedented progress towards internal political reform indicated the change in attitudes', although in others, as the review said, full compliance with the CSCE provisions was 'regrettably' still a long way off. Hungary, Poland and, recently, the Soviet Union had adopted 'an increasingly positive attitude' to their human rights commitments and had declared their intention of bringing domestic practice and legislation in line with CSCE documents, although many shortcomings remained in the Soviet Union. Performance in other countries was unsatisfactory: Romania's continued refusal to be bound by all the human rights provisions was 'in clear defiance of the whole process' and flouted 'the CSCE principle of consensus'.

The Soviet Union

In the Soviet Union, although none of the new progressive laws promised by President Gorbachev in his United Nations speech in December 1988 had come into effect, the laws on the rights of trade unions had been published.[1]

Most political prisoners known to the West appeared to have been released, the review continued, although new arrests had occurred, mainly of nationalists (some of whom were still awaiting trial). A team of US psychiatrists had visited Soviet institutions and had met officials and practitioners in March, while a delegation from Amnesty International had visited Moscow in April, the first such visit. The two 'anti-Soviet' articles in the law on state crimes (covering crimes of 'anti-Soviet slander' and 'anti-Soviet agitation and propaganda') had been replaced, but the new law contained catch-all, open-ended clauses which left justice 'to the whim of the authorities'; a new sentence for 'insulting or discrediting public organisations' had been repealed, and another one, which had made it a crime to call for changes in the Soviet system by methods contrary to the constitution, was being reconsidered by the Supreme Soviet. There were advances in the draft law on religion – the review noted increased tolerance towards the Orthodox Church and church activities in the Baltic states, and many churches and mosques had been reopened – but contacts

[1]The IMF has also offered a programme of assistance to Poland, including investments in joint ventures, advice on Poland's privatisation programme and help with the creation of new banks.

[2]In addition to giving Hungary and Poland food and financial aid worth £140 million, the Community agreed on 9 October to provide them with up to £665 million in loans over three years.

[1]The legislation, passed by the Supreme Soviet on 10 October, recognised the right of workers to strike, but prevented stoppages in various key sectors in the national economy, such as transport, fuel, energy, defence and other sectors where a halt in production could have serious and dangerous consequences. Strikes for political motives were also forbidden.

with churches and individuals abroad were still frequently hindered, and the Ukrainian Catholic Church was still proscribed.

Jewish and other emigration continued to increase (the estimated figures for the first half of 1989 exceeded the total for 1988). However, the problems of long-term *refuseniks* remained unresolved, with the Soviet Union refusing to comply with the commitments it had made in the Vienna concluding document to clear up all outstanding cases within six months (by July 1989). Britain, the review said, would press the Soviet Union to honour its commitments without delay; it had also raised the case of a long-term *refusenik* under the new mechanism agreed at the Vienna CSCE conference (see p 304).

The review noted that the nationalist aspirations of the Baltic republics were being heeded, with laws being passed establishing the indigenous tongues as the official languages, and plans for greater economic self-determination being worked out. Mass movements in some Soviet republics were still calling for greater autonomy and guarantees for national identity within a Soviet federation.

Eastern Europe

Britain and other members of the European Community had raised with Bulgaria the question of the harassment of its Turkish minority (during May and June over 100,000 ethnic Turks left the country). Members of human rights groups had been arrested or subjected to police interrogation and harassment, others either expelled or placed under house arrest in internal exile. The review said that new legislation amending laws on nationality, passports, foreign travel, the penal code and amnesty meant that there would, in practice, be little improvement to restrictions on freedom of movement.

In Czechoslovakia, the authorities were clamping down on dissidents, brutally breaking up demonstrations at the anniversary of the 1968 Soviet invasion, sentencing the dramatist Vaclav Haval for incitement, and fining or sentencing other dissidents on charges of incitement or hooliganism. Mr Havel was released in May following protests by many Western and neutral non-aligned countries (including Britain). New public order legislation had created new offences and increased penalties for existing offences, although an unauthorised demonstration took place to mark solidarity with the Paris Conference on the Human Dimension (see p 47).[1]

In the German Democratic Republic, the review continued, there was little freedom of expression; unofficial groups on human rights and the environment were routinely suffering harassment. The number of people being allowed to travel or settle abroad was increasing, but many others were being denied this basic right (see also below), and some applicants were subjected to harassment. The use by the European Community of the Vienna human rights mechanism about the regular use of force by authorities against people trying to cross the frontier to the West without permission had met with a negative response by the East German Government.

In Hungary, human rights conditions had improved dramatically since the beginning of 1989, the review noted. Plans to modify the penal code, including the removal of the death penalty for political crimes and improvements of the rights of suspects, had been drawn up, and a new law was being prepared on freedom of conscience and education. All but three of the 73 people imprisoned for conscientious objection had been released and alternative military service had been introduced. Human rights groups had also been founded in Hungary.

In addition to the striking progress towards political democratisation in Poland, a new law regulating the legal status of the Church and legalising Papal institutions of higher education had been passed by Parliament in May, while a second law providing guarantees of freedom of conscience and faith was in draft. There were no political prisoners, although Britain had used the new concluding document mechanism in the case of a right-wing opposition activist.

In Romania, there was no progress towards full implementation of CSCE human rights provisions. The Vienna concluding document had not been published, the campaign against contacts between nationals and foreigners (especially Western diplomats) was being maintained, as was the clampdown on the small number of active dissidents. Religious activists were being strictly controlled and discouraged, and all attempts to organise trade unions were being met with an instantaneous crackdown. The repression of ethnic minorities continued, with 20,000 ethnic Hungarians fleeing to Hungary to seek asylum.

Events in the German Democratic Republic

Since the beginning of 1989, more than 71,000 East Germans have illegally left the Democratic Republic for the Federal Republic of Germany; in September alone, 47,000 East Germans arrived in the Federal Republic, the majority coming from Hungary (when on 11 September the Hungarian Government decided to allow them to cross over its frontier into Austria). Since then, a further 13,000 emigrants who had taken refuge in the Federal Republic's embassies in Warsaw and Prague have been taken to the West. On 3 October, in response to the exodus of refugees to the West, the East German authorities closed the border with Czechoslovakia through which their people had been going to Hungary; they also attempted to restrict access to East Berlin from the Western sectors of the city, contrary to the provisions of the 1971 quadripartite agreement on Berlin.[1] Earlier, on 30 September, the East German Government agreed with Hungary to allow East Germans who took refuge in Hungary to leave for the West; they were, however, formally expelled by their Government. Another agreement with Poland was made in October for East Germans sheltering there. In addition, demonstrations have been taking place in Dresden, East Berlin, Leipzig (an estimated 120,000 people had a protest march in that city on 16 October) and other cities demanding economic and

[1]This conference, which took place in Paris in May and June 1989, is one of a series of review conferences on various aspects of the CSCE process, that were agreed to by the 35 European and North American countries in the Vienna CSCE concluding document.

[1]For further information see COI reference paper *Berlin*, No 293/87.

political reform, supported by the Protestant Church and new banned opposition organisations, including the largest group New Forum.[1] For some days, the East German authorities attempted to suppress the protests, and about 600 people were arrested and detained; many of these were subsequently released, and most of the later demonstrations passed by without police interference.

Speaking on 9 October, Mr William Waldegrave, Minister of State at the Foreign and Commonwealth Office, said that the East German Government was finding that it could not, 'without a degree of violence which is clearly unacceptable to the Russians and should be unacceptable to the whole world, suppress the ordinary aspirations of its people . . . It can go down that *cul de sac* of trying to suppress by force, or it can respond and . . . introduce the sort of reforms that we're seeing growing elsewhere in Eastern Europe and in the Soviet Union itself.'[2] Britain also condemned the actions in Berlin that were restricting access from the West to East Berlin, 'all of which is against the quadripartite agreement and . . . explicit commitments made by the East German Government'.

Arms Control Developments

The latest round of talks on nuclear and space issues, including START, began in June. At meetings in Wyoming in the United States in September, the US Secretary of State, Mr James Baker, and the Soviet foreign minister, Mr Eduard Shevardnadze, signed an agreement in principle on verification and stability, based on a US initiative which covered measures designed to enhance confidence and strategic stability and to facilitate progress, especially in the area of verification. They also concluded a memorandum of understanding on chemical weapons which provided for a bilateral verification experiment and data exchange, to be implemented over two phases: the first phase would involve visits to certain US and Soviet military and civil establishments, to start by the end of June 1990; the second phase, which would begin when a multilateral chemical weapons treaty was close to agreement, would involve challenge inspection. To promote openness and build confidence, the United States invited Soviet experts to visit US strategic defence initiative (SDI) laboratories.

In a new initiative on chemical weapons (see pp 10-12 and 263-4), announced at the UN General Assembly on 25 September, the US President, Mr George Bush, offered to destroy 98 per cent of the United States' chemical weapons in eight years and 100 per cent in ten years provided all nations capable of building chemical weapons signed a treaty banning chemical weapons; he also proposed to eliminate more than 80 per cent of the US chemical weapons stockpile immediately 'if the Soviet Union joins us in cutting chemical weapons to an equal level, and we agree on inspections to verify that stockpiles are destroyed'.

Speaking at the UN General Assembly on 27 September (see p 371), Mr Major welcomed the US proposals and the positive Soviet response to them. The reduction of US and Soviet stockpiles, ahead of a convention, would do much to reassure countries which did not possess chemical weapons and would also remove the rationale for other countries to cling to their stocks. 'It is through practical steps like these that governments can best show their determination to get rid of these gruesome weapons. My country gave up its chemical weapons 30 years ago. We look forward to other countries destroying theirs.' To add impetus to the Geneva negotiations on chemical weapons, Mr Major proposed that they should move from the present intermittent pattern to round-the-year meetings as was already the case in other areas of arms control.

At the CFE negotiations on 25 September,[1] NATO proposed further steps intended to monitor more closely tank forces left behind after the reduction of 20,000 tanks already agreed in principle; to monitor the equipment held by the reduced forces and to identify any changes in their state of readiness; to identify quickly their call for reserves and their plans for certain exercises; and to reduce the risk of the Soviet Union building up forces outside the Atlantic-to-the-Urals control area.

[1] Another opposition group, the Social Democratic party, was formed on 8 October.

[2] In a statement read out on East German television on 11 October, the Politburo of the communist Socialist Unity Party promised to discuss issues such as better economic performance, 'democratic togetherness', 'life-orientated media' and opportunities to travel. The statement also said that the Communist Party had all the necessary channels for debate, adding that the people of East Germany 'have opted for socialism forever'. On 18 October, Herr Erich Honecker, party leader since 1971, was replaced by the internal security minister, Herr Egon Krenz.

Trade Relations with Japan

The need for Japan to open up its markets to Western goods and companies in order to help preserve the world trade system was one of the main themes of a speech made in Toyko by the Prime Minister, Mrs Margaret Thatcher, on 20 September.

Mrs Thatcher made an official visit to Japan from 19 to 22 September. Discussing Britain's trade relations with Japan in her speech, the Prime Minister pointed out that a characteristic of the current age was the extent to which countries were more dependent on each other than ever before and that no country could any longer 'go it alone'. In economic relations, the great industrialised nations could not pursue policies based on narrow national or sectoral interests. 'Rather, we all need to implement in full the economic strategies which we have identified at successive Economic Summits as the basis for future growth' (see pp 311-14). For some countries, this meant acting primarily against inflation; for others, acting to open markets and carry through structural reforms. In Europe, the concept of the Single Market in 1992 (see p 337, 1988, and pp 49-51) was based on reducing constraints, removing regulations, and opening markets which were previously closed not just within Europe but to the outside world.

[1] The Alliance's CFE proposals, tabled in March, were amplified in July when equal limits of 5,700 combat aircraft and 1,900 helicopters for each side (15 per cent below NATO levels) and other limits were added.

Mrs Thatcher also emphasised the importance of the open world trading system, which had been crucial to Japan's economic success. Free trade and open markets, however, could not be taken for granted. 'We have to preserve and extend what we have achieved, and Japan, as a pre-eminent economic power, has a particular responsibility in this regard.'

Japan's Markets

Britain, Mrs Thatcher continued, had one of the freest markets anywhere in the world, yet while Japan had reduced its trade barriers against manufactured goods, its service industries and agriculture were still protected by a large number of restrictions and subsidies. 'These [barriers] make it hard – even impossible – for some imports to enter Japanese markets. Not surprisingly, this causes resentment, resentment that can threaten the open world trading system by encouraging those who call for protectionism and by adding to the pressures on those of us who believe in free trade.' Japan had already done a great deal to open up its markets by switching the emphasis in its economic policy from export to domestic demand-led growth, and had also made progress in tax reform and budget consolidation. However, Britain believed that the most important contribution that Japan could make to maintaining the open world trading system was to remove the source of the complaints by carrying structural reform through more vigorously and removing all barriers to imports. Specific examples in which Japan could take measures included:

1 more open and unrestricted competition, which would enable its consumers to enjoy high-quality services at lower prices;

2 modification of the tied nature of a large number of distribution outlets, which restricted consumer choice and increased prices, and of the large-scale retail stores law, which restrained competition and limited the growth of stores which traditionally carried imports;

3 action on agricultural quotas and producer subsidies (the highest in the world), which kept imports out and prices artificially high;

4 the encouragement of more consumerism to change deeply-rooted prejudices about imports, so that the Japanese should be able to judge imported and home-produced goods solely on the basis of value for money;

5 more flexibility in the Japanese airlines so that they could react quickly to market demands through more liberal arrangements on routes, capacity and fares; and

6 a liberalisation of Japanese financial markets, which would allow more foreign financial companies to participate, just as Japanese financial institutions operated freely in London's financial markets.

Trade Barriers

Britain was not seeking to change the essence of Japan or its culture, Mrs Thatcher said, but only a change in attitudes and ways of trading. 'A barrier is a barrier, whether you call it a cultural difference, a tradition or anything else, and those countries who benefit most from the open trading system and enjoy steady, indeed almost permanent, balance of payment surpluses[1] have a particular obligation to get those barriers down – and Japan is not alone in that – because, at worse, they will tempt others to conclude that in the absence of such action there is no alternative but to put up equally effective barriers ourselves.'

Britain had fought to prevent restrictions and 'reciprocity' from becoming a governing principle of international trade, but it had to be able to demonstrate that free and open markets produced the best results for all countries and not just for some. Mrs Thatcher said that nothing demonstrated this point better than the remarkable success of Japanese manufacturing companies in Britain. There were more than 100 Japanese firms established in Britain, employing nearly 30,000 people, and manufacturing a wide range of products. Over 30 per cent of all Japanese direct investment in the European Community was in Britain, and the British Government wanted this sizable share to be maintained and enlarged.

Conclusion

Although the Prime Minister had concentrated on economic and trade relations between Britain and Japan, she pointed out that relations between the two countries had grown far beyond a one-dimensional stage in the last few years, with much wider contacts in every field, particularly political and cultural; she wanted that process to continue.

Concluding, Mrs Thatcher said that the contrast between the openness of the British economy and the restrictions that remained in Japan would continue to affect the relations between Britain and Japan until these problems had been dealt with. 'A solution must be . . . found, not just for the sake of Britain and Japan but because so much else, indeed the future prosperity of the Free World, depends upon it.'

Developments in the European Community

The principal developments in the European Community between January and June 1989 are set out in a White Paper published in September, which observes that this period saw the approval of 68 single-market measures aimed at reducing barriers to trade within the Community.

The White Paper is one of a series published every six months describing in brief the main developments in the Community and the principal decisions reached by its ministers.[2] Some of the most important of these developments are given below.

[1] In general, Japan's balance of payments with the rest of the world has been in surplus since 1969: in 1988, its balance of payment surplus was $93,000 million; its surplus with Britain was £4,766·3 million.

[2] *Developments in the European Community: January-June 1989.* Cm 801. HMSO, £6·80. ISBN 0 10 108012 3.

Monetary Matters

In June, Economic and Finance Ministers endorsed a programme to tackle fraud against the Community budget, and they also reached 'substantive' agreement on the Second Banking Co-ordination Directive, which sets out the conditions under which credit institutions, such as banks and building societies, may provide services in another member state.

Single Market

Between January and June, a total of 68 single-market measures were adopted, agreed in principle, or had common positions agreed for submission to the European Parliament. In April, the Council of Ministers agreed a common position on a directive aimed at removing barriers to the free flow of television programmes across frontiers within the Community. Progress was also made in improving openness in the award of public works contracts by central and local government, in the harmonisation of standards, and in the extension of the use of metric units in the Community.

Other Developments

Other areas covered in the White Paper include agriculture, forestry and fisheries (see pp 59-62, 242-3), regional policy and industrial affairs, research and development (see pp 66-7, 236-7), transport, social affairs and the social charter (see pp 271-2), health (see p 232), education, energy, the environment (see pp 281-2), trade, aid (see pp 96-7), external relations (see pp 13, 93, 234), tourism (see pp 27-8), the European Court of Justice and the European Parliament.

Overseas Aid

Information about Britain's overseas aid effort in 1988 is described in the Overseas Development Administration's summary of aid statistics, which was published in September.[1]

Public expenditure on overseas aid in 1988 amounted to £1,658 million gross. Of this, £999 million (about 60 per cent) was bilateral aid and £659 million (about 40 per cent) was channelled through multilateral agencies. Net official development assistance,[2] at £1,485 million, amounted to 0·32 per cent of Britain's gross national product.

Multilateral Aid

The main recipients of Britain's multilateral aid money are United Nations (UN) agencies, the World Bank Group, a number of regional development banks and the European Community's aid programmes. The World Bank Group received £229 million from Britain in 1988, of which £207 million went to the International Development Association, which provides loans to developing countries on concessional terms. UN agencies received £110 million, the principal recipients being the UN Development Programme (£25 million), the UN High Commissioner for Refugees (£19 million), the World Health Organisation (£17 million) and the UN Children's Fund, UNICEF, (£12 million). Regional development banks received £29 million.

Programmes administered by the European Community accounted for £274 million. Of this, £119 million was allocated to the European Development Fund, which provides grants for development projects in the 66 African, Caribbean and Pacific States that have signed the Lomé Convention (see pp 96-7), £25 million to a special programme for Asian and Latin American countries that are not covered by the Convention and £75 million for food aid.

Bilateral Aid

Nearly 70 per cent of allocable bilateral aid[1] (£574 million) was directed towards the 50 poorest countries in 1988, and nearly 68 per cent went to Commonwealth countries and British dependent territories. Of the total allocable by continent (£838 million), Africa received 50 per cent (£422 million), Asia 36 per cent (£298 million) and America 8 per cent (£70 million). The main recipient countries were India (£101 million), Kenya (£49 million), Malawi (£46 million), Bangladesh (£42 million) and Tanzania (£34 million).

The principal components of bilateral aid are financial aid and technical co-operation. Financial aid, sometimes known as capital aid, may be in the form of loans or grants towards the cost of the physical requirements of social and economic development. In 1988 this totalled £541 million. Technical co-operation comprises the provision of consultants, advisers and technical officers, and the training of nationals from developing countries in their own country or abroad. It is always financed by grants and these amounted to £411 million in 1988. Administrative costs totalled £46 million.

Bilateral financial aid can take the form of project aid (£337 million in 1988) or non-project aid (£204 million). The former is provided to establish or expand production and infrastructure facilities, either through the Commonwealth Development Corporation (CDC; see pp 234-5), which invests overseas, or through the Overseas Development Administration (ODA)'s individual country programmes or its Aid and Trade Provision (ATP).[2] Loans and investments by the CDC came to £111 million in 1988. ODA funding, excluding the ATP, was £170 million, and ATP support totalled £55 million.

Non-project aid takes several forms: programme aid, comprising support to finance imports into

[1] *British Aid Statistics 1984-1988*. 1989 edition, Overseas Development Administration, £6·75. Available from the Library, Overseas Development Administration, Abercrombie House, Eaglesham Road, East Kilbride G75 8EA. ISBN 0 902500 37 6.

[2] Official development assistance is the measure agreed internationally for presenting aid statistics. It differs from public expenditure on overseas aid by excluding loans with interest rates near market terms and by recording contributions to the World Bank Group, the International Fund for Agricultural Development and regional development banks when they are deposited rather than when they are encashed.

[1] £172 million of the total allocation of bilateral aid is unallocable by country.

[2] The ATP is designed to assist British exporters to win contracts in creditworthy countries overseas. It takes the form of mixed credits, where ATP grants are associated with export credits made available by the Export Credits Guarantee Department, or of loans at concessional rates for specific projects agreed with the British Government.

countries with particularly acute balance of payments problems (£124 million in 1988); budgetary aid, to help reduce countries' budgetary deficits (£9 million); assistance with debt rescheduling, cancellation and refinancing (£35 million); the provision of food supplies (£17 million); and disaster relief (£18 million).

Aid by Sector

Sector aid takes a wide view of the overall needs of a selected sector, such as railways, water supply or power, and assembles a collection of measures to meet its particular needs. Financial aid for the rehabilitation of existing investments may be linked with programme aid to supply spare parts or raw materials, and with training.

The amount of project aid allocable to sectors in 1988 was £296 million, of which £65 million was for renewable resources such as agriculture, forestry and fisheries; £16 million for mining; £24 million for manufacturing; £61 million for energy projects; £69 million for improvements in transport and communications; £29 million for financial and associated services, such as agricultural development banks; and £27 million for social and community services, which include housing, public administration, water supplies and sanitation, education, health and urban and industrial development.

Debt Relief

Countries that experience particular difficulty in meeting the terms of past loans can be assisted in three main ways. The first is debt rescheduling, which means delaying the date on which principal or interest repayments, or both, are due. This comprised £1 million of the aid programme in 1988. There was no payment towards debt refinancing – the extending of a new grant or loan to enable the debtor country to meet payments on earlier loans – but the CDC provided £10 million to Malawi for debt rescheduling and refinancing. The most important component of the debt relief programme is cancellation of outstanding payments of principal and interest. Under the Retrospective Terms Adjustment programme, 21 of the poorest developing countries have had all their outstanding debts cancelled; a new agreement was signed between Britain and Senegal in 1988. The cost of cancellation of debts to Britain in 1988 was £24 million, £15 million of this going to cancel the debts of African countries.[1]

Technical Co-operation

Of the £411 million spent on technical co-operation projects in 1988, £74 million was given to maintaining personnel overseas. Another £150 million went towards education and training, being spent on supporting students and trainees in Britain; grants for training in countries of origin; grants to the British Council (see pp 263-5, 1988); the provision of low-priced text books for use in developing countries and schemes to present books to libraries and universities; and grants to universities and colleges in Britain to run special courses for overseas students.

[1]For further information see COI reference paper *Britain and International Debt Relief*, No 313/89.

Of the remainder, £27 million was given to research and development; £48 million in payments for services provided by consultants (other than those forming part of a specific project); £23 million to provide equipment and supplies for those working overseas under the aid programme; £21 million for pensions and compensation to individuals from Britain; and £21 million to voluntary organisations working to assist development overseas. International non-governmental organisations received £13 million.

The numbers of personnel overseas and of students and trainees in Britain are measured by the ODA in 'person-years' of work or training: for example, one expert in post for a whole year is counted as one person-year; four students, each on courses of six months, are counted as two person-years. In 1988 Britain financed nearly 3,600 person-years of personnel working overseas (including volunteers, consultants and those wholly and partly financed from the aid programme) in the fields of renewable natural resources (604 person-years), education (1,399), health (362) and other sectors. Nearly 7,500 person-years of students and trainees were supported in 1988, including 1,046 training in renewable natural resources, 1,101 in education and 845 in health.

Shorter Notes

PAKISTAN: READMISSION TO THE COMMONWEALTH

Pakistan has rejoined the Commonwealth as its 49th member state with effect from 1 October 1988 (it left the Commonwealth in 1972 because of the intended recognition of Bangladesh by Britain and other members). An announcement that Pakistan was to rejoin was made by the Commonwealth Secretary-General, Sir Shridath Ramphal, on 15 September. This followed several months of consultations with Commonwealth member states. The Commonwealth Secretary-General said that the Commonwealth had supported unanimously the wish of the democratically elected Government of Pakistan to rejoin.

A spokesman for the Foreign and Commonwealth Office said on 15 September that the British Government was 'delighted to join the consensus among member states in favour of Pakistan's readmission' and was pleased that the arrangements had been completed in time for the Prime Minister of Pakistan, Ms Benazir Bhutto, to attend the Commonwealth Heads of Government Meeting in Kuala Lumpur from 18 to 24 October. The spokesman said that the British Government placed great value on the Commonwealth and believed that the welcome return of Pakistan, one of the original members, would 'enhance its capacity to exercise a constructive collective influence in world affairs'.

Sources: Commonwealth Secretariat press notice, 15.9.89; transcript of Foreign and Commonwealth Office press conference, 15.9.89.

CO-FINANCING AGREEMENT WITH THE WORLD BANK

Britain has announced a three-year extension of a programme established in 1986 for the co-financing of projects with the World Bank, which will permit the provision of aid support for up to £200 million of British exports for approved projects in developing countries. British aid finance in support of such projects will be provided by the Overseas Development Administration from its Aid and Trade Provision (ATP), normally in conjunction with export finance provided by commercial banks supported by Britain's Export Credits Guarantee Department. Under the ATP, grants are provided in association with export credits to give financial support to British bids for contracts in projects overseas that are also of commercial and industrial importance to Britain. The finance will take the form of mixed credits or loans on concessional terms, and projects to be co-financed under the arrangement will be agreed in regular discussions between the World Bank, the Overseas Development Administration and the Department of Trade and Industry.

Since the establishment of the arrangement, Britain has pledged to provide ATP support up to a value of $50 million to develop private sector power generation in Pakistan and has also secured agreement on the financing of a major water and sewerage project in Pakistan, with an export value to Britain of £19·3 million. ATP support has also been offered for two projects in Ghana with a combined export value of £27·87 million.

Source: Overseas Development Administration press notice, 25.9.89.

EMERGENCY RELIEF FOR THE CARIBBEAN

Britain is providing £3 million of aid for relief and reconstruction in the Caribbean islands devastated by Hurricane Hugo in September. Two Royal Navy ships helped in the relief operations, and Royal Engineers and supplies have been flown from the British garrison in Belize. The first delivery of emergency supplies left Britain on 19 September for Antigua, the nearest large landing strip available. A Hercules transport aeroplane of the Royal Air Force has been operating a shuttle service from Antigua to Montserrat and St Kitts and Nevis delivering relief supplies. The Overseas Development Administration has sent engineers and linesmen to restore electricity supplies to Antigua and Montserrat. The European Community has also provided 1 million ECU (about £680,00) to the French island of Guadeloupe.

Sources: Overseas Development Administration press notices, 19.9.89, 27.9.89, 3.10.89, 10.10.89.

National Accounts 1988

Britain's gross domestic product continued to grow substantially in 1988 – by over 4 per cent in volume terms. Manufacturing output rose by nearly 7 per cent and fixed investment by 13 per cent.

The National Accounts 'Blue Book',[1] published on 13 September, gives revised figures for national income, expenditure and output for each of the 11 years from 1978 to 1988, with summary tables going back to 1967.

Gross Domestic Product

Gross domestic product (GDP) at factor cost,[2] after allowing for inflation, increased by 4·4 per cent between 1987 and 1988 (see Table 1) to a level 21 per cent above the previous peak, reached in 1979.

The average measure of GDP at current market prices (the prices that consumers pay for goods and services) – money GDP – rose by 11 per cent between 1987 and 1988.

In 1988 the increase in GDP – both at market prices and at factor cost – attributable to inflation was some 6·5 per cent.

GDP and gross national product (GNP – equal to GDP plus net property income from abroad) in 1988 are analysed according to category of expenditure and by market prices and factor cost in Table 2.

Output by Industry

Output of agriculture, forestry and fishing grew by just over 1 per cent in 1988 but that of energy and water supply fell by more than 4 per cent (see Table 3). Manufacturing output rose by almost 7 per cent. Most manufacturing sectors recorded increases, notably mineral products, electrical and instrument engineering, motor vehicles and parts and 'all other manufacturing' (all 10 per cent or more). Output fell in four manufacturing sectors: man-made fibres; transport equipment other than motor vehicles; textiles; and clothing, footwear and leather. Construction output rose by over 7 per cent and that of services by 5 per cent. Within services, above average increases were recorded by financial and business services and leasing (9 per cent) and by distribution, hotels and catering, and repairs (7 per cent).

Personal Income, Expenditure and Saving

Total personal income rose by more than 10 per cent in 1988 (see Table 4). Income from employment increased by almost 11 per cent and that from self-employment by 12 per cent. Prices as measured by the consumers' expenditure deflator rose by 5 per cent and real personal disposable income by a little under 5 per cent.

Consumers' expenditure grew by more than personal disposable income and so the saving ratio (saving as a percentage of personal disposable income) fell from 6·2 per cent in 1987 to 4·4 per cent in 1988 – its lowest since the 1950s.

Consumers' expenditure in volume terms increased by nearly 7 per cent in 1988. Spending on durable goods rose by 11 per cent, with expenditure on vehicles growing by 15 per cent. There was increased expenditure on all goods and services.

Companies

Gross trading profits (net of stock appreciation) of North Sea oil companies fell by 28 per cent in 1988 to a little over one-third of their 1984 level, reflecting the continuing low price of oil as well as a loss of sales resulting from the Piper Alpha explosion and fire (see p 320, 1988). Profits of other industrial and commercial companies increased by 21 per cent; however, this growth was partly the consequence of privatisation (see pp 236-7, 1988). In 1988 industrial and commercial companies had a financial deficit (broadly, fixed investment and increases in stock values minus undistributed income) of £6,600 million compared with a surplus of £1,900 million in 1987.

Wealth

At the end of 1987 (the latest year for which figures are available) net national wealth (consisting of tangible assets and overseas assets less liabilities) amounted to £2 million million, 12 per cent more than a year earlier. Of total tangible assets, residential buildings comprised £830,000 million, other land, buildings and works £570,000 million, vehicles, plant and machinery £300,000 million and stocks and work in progress £100,000 million. The personal sector accounted for 76 per cent of net national wealth, industrial and commercial companies for 9 per cent, financial institutions for 3 per cent, public corporations for 5 per cent and general government for 8 per cent.

[1] *United Kingdom National Accounts 1989 Edition*. Central Statistical Office. HMSO, £11·95. ISBN 0 11 620392 7.

[2] The total net value received by producers for goods and services produced, after deducting indirect taxes and adding subsidies. (GDP is here a simple average of the three estimates based on income, expenditure and output data.)

Table 1

Average Measures of Gross Domestic Product

	1978	1983	1987	1988
At constant factor cost (1985 = 100)	90·2	94·6	107·8	112·5
At constant market prices (1985 = 100)	90·3	94·4	108·3	112·9
At current factor cost (£000 million)	149·1	260·4	355·6	394·8
At current market prices (£000 million)	168·1	303·6	417·8	463·9

Table 2

Analyses by Expenditure of Gross Domestic Product and Gross National Product in 1988

	£ million
At market prices	
Consumers' expenditure	293,569
Central government final consumption	55,721
Local authorities' final consumption	36,126
Gross domestic fixed capital formation	88,751
Value of physical increase in stocks and work in progress	4,371
Total domestic expenditure	478,538
Exports of goods and services	108,533
Total final expenditure	587,071
Less imports of goods and services*	−125,194
GDP (average measure)†	463,933
Net property income from abroad	5,619
GNP (average measure)†	469,552
At factor cost	
Adjustment of GDP at market prices to factor cost‡	69,146
GDP (average measure)	394,787
GNP (average measure)	400,406

*Excluding taxes on expenditure levied on imports.
†Including taxes on expenditure levied on imports.
‡Taxes on expenditure less subsidies.

Table 3

Index Numbers of Output (at Constant Factor Cost)

1985 = 100

	1987	1988
Agriculture, forestry and fishing	99·3	100·5
Energy and water supply	103·9	99·4
Manufacturing	106·6	114·0
Construction	109·0	117·0
Services	109·7	115·3
GDP (output measure)	108·1	113·1

Table 4

Personal Income and Expenditure

£ million

	1987	1988
Income from employment	225,945	249,775
Income from self-employment*	38,044	42,617
Rent, dividends and net interest	34,025	40,878
Current grants from general government (including social security benefits)	52,580	54,207
Other†	2,288	2,350
Total personal income*	352,882	389,827
Deductions from income:		
British taxes on income	43,650	48,655
Social security contributions	28,188	31,686
Current transfers	2,078	2,316
Personal disposable income	278,966	307,170
of which:		
Consumers' expenditure	261,698	293,569
Saving	17,268	13,601

*Before providing for depreciation and stock appreciation.
†Other current transfers and the imputed charge for capital consumption of private non-profit-making bodies.

Fixed Investment and Stockbuilding

Gross domestic fixed capital formation (fixed investment) grew by 13 per cent in volume terms in 1988, with increased investment in almost every type of asset. Investment in road vehicles, railway rolling stock, ships and aircraft rose by 14 per cent, in plant and machinery by 19 per cent, in dwellings by 7 per cent and in other new buildings and works by 5 per cent. The growth in investment by the private sector and public corporations easily offset the decline recorded by general government.

By industry, there was an increase of 11 per cent for manufacturing, practically no change for agriculture, forestry and fishing and a small decline for energy and water supply.

Measured in 1985 prices, the level of stocks and work in progress rose by £3,600 million in 1988 – more than three times as much as in 1987. Manufacturing, construction and distribution recorded increases, but agriculture, forestry and fishing as well as energy and water supply experienced declines.

Overseas Direct Investment

Britain had direct investment holdings overseas amounting to £89,000 million at the end of 1987 while other countries had direct investment holdings in Britain valued at £58,000 million. These figures represented substantial increases since 1984 (the year of the last survey).

The 29 September issue of *British Business* contains an article on the results of an inquiry into overseas direct investment[1] involving Britain in the period up to 1987. Assets are measured at book value (usually the price paid when acquired which, at times of inflation, may be far below the market value or replacement cost).

The rise in the values of assets and liabilities over the past decade, the article explains, reflects an increase in the international nature of corporate activities. These have included the raising of funds through overseas subsidiaries as well as the exploitation of new opportunities for overseas investment. In addition, developments in the financial sector, notably 'Big Bang' (see p 361, 1986), have resulted in the growth of multinational concerns dealing in securities and other financial activities. The sterling value of British overseas investment has been affected by changes in the exchange rate. The value of the dollar in terms of sterling fell in the three years to the end of 1987. As a significant proportion of Britain's overseas investment is denominated in dollars, its sterling value was depressed.

A small amount of miscellaneous transactions (mainly relating to property) is excluded from the detailed analysis in Tables 2 and 3.

[1]Direct investment overseas consists of long- and short-term funds given by investors in one country to overseas affiliates (subsidiaries, associates and branches) in the form of share capital, loans, trade credit and retained profits. It is measured net, after deducting loans made by the affiliates to their direct investors.

Outward Investment

At the end of 1987 Britain's net direct investment overseas amounted to over £89,000 million (see Table 1), representing a rise of more than £10,000 million since 1984 in spite of the increase in the sterling exchange rate.

In terms of sectors (excluding miscellaneous transactions), investment overseas by banks was almost five times the 1984 level although it still accounted for only 4 per cent of the total. The share of insurance companies was 7 per cent and that of oil companies 26 per cent. The manufacturing sector accounted for 35 per cent.

By area (see Table 2), 31 per cent was in Western

Table 1

Direct Investment: Net External Assets and Liabilities

Book value at end of year *£ million*

	1978	1981	1984	1987
Outward investment				
Banks	1,325	1,734	751	3,622
Insurance companies	–	3,028	5,138	5,852
Oil companies	4,200	10,100	24,615	22,527
Other companies*	19,108	28,545	45,080	54,373
Total excluding miscellaneous	24,633	43,407	75,584	86,374
Miscellaneous	3,510†	1,740	3,309	2,892
Total	28,143	45,147	78,893	89,266
Inward investment				
Banks	933	1,453	2,906	5,407
Insurance companies	–	310	819	1,964
Oil companies	5,250	10,300	12,969	15,780
Other companies*	11,098	16,962	21,790	31,480
Total excluding miscellaneous	17,281	29,025	38,484	54,631
Miscellaneous	601†	987	1,615	3,450
Total	17,882	30,012	40,099	58,081

*Includes public corporations.
†Includes estimate for insurance companies.

Table 2

Outward Direct Investment by British Companies Analysed by Area

Book value of net assets at end of year* *£ million*

	1978	1981	1984	1987
Western Europe	5,957	6,612	18,066	27,154
European Community	4,926	5,910	15,259	23,934
Belgium and Luxembourg	681	529	1,234	1,552
Denmark	142	145	475	550
France	823	1,064	1,880	2,979
Federal Republic of Germany	1,465	1,510	2,799	3,186
Greece	20	29	72	79
Irish Republic	594	735	897	1,211
Italy	282	384	566	1,208
Netherlands	583	1,098	6,650	11,484
Portugal	66	95	145	444
Spain	269	321	541	1,242
European Free Trade Association	961	596	2,626	2,761
Austria	130	64	240	153
Finland	*na*	*na*	*na*	*na*
Iceland	*na*	*na*	*na*	*na*
Norway	31	50	520	489
Sweden	169	157	461	472
Switzerland	607	287	1,361	1,572
Other	70	106	181	459
North America	4,815	9,884	31,874	35,793
Canada	1,256	1,905	5,245	5,159
United States	3,559	7,979	26,629	30,635
Other developed countries	4,442	5,824	11,729	9,533
Australia	2,613	3,534	7,750	5,970
Japan	112	187	629	942
New Zealand	*na*	315	662	799
South Africa	*na*	1,787	2,693	1,821
Rest of the world	3,894	6,226	13,916	13,895
World	19,108	28,545	75,584	86,374

*Figures up to and including 1981 exclude banks and insurance and oil companies.
na = not available.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 3

Inward Direct Investment in Britain by Overseas Companies Analysed by Area

Book value of net assets at end of year* *£ million*

	1978	1981	1984	1987
Western Europe	3,258	4,528	14,373	19,602
European Community	2,037	2,606	11,416	14,032
Belgium and Luxembourg	371	343	675	1,032
Denmark	82	155	283	441
France	493	575	1,776	2,304
Federal Republic of Germany	262	627	932	1,596
Greece	–	–	*na*	*na*
Irish Republic	83	76	152	51
Italy	128	72	136	301
Netherlands	615	737	7,390	8,192
Portugal	–	–	*na*	*na*
Spain	2	21	67	103
European Free Trade Association	1,221	1,921	2,946	5,545
Austria	*na*	17	34	36
Finland	77	*na*	149	167
Norway	*na*	*na*	320	514
Sweden	298	471	604	825
Switzerland	789	1,225	1,839	4,001
Other	–	–	10	26
North America	7,106	10,451	20,587	27,968
Canada	638	892	1,011	2,936
United States	6,468	9,559	19,576	25,032
Other developed countries	501	1,152	1,583	4,307
Australia	173	330	376	1,965
Japan	24	324	806	1,923
New Zealand	18	25	29	144
South Africa	333	473	372	276
Rest of the world	233	831	1,942	2,755
World	11,098	16,962	38,484	54,631

*Figures up to and including 1981 exclude banks and insurance and oil companies.
na = not available.
Note: Differences between totals and the sums of their component parts are due to rounding.

Europe (28 per cent in the European Community, with increases since 1984 in the amount in every Community country) and 41 per cent in North America (35 per cent in the United States). Developed countries accounted for 84 per cent, their share having risen from 82 per cent in 1984. The absolute level of investment in developing countries was practically unchanged between 1984 and 1987; in the later year almost half of such investment was in the Caribbean and Latin America.

Inward Investment

Net direct investment in Britain amounted to just over £58,000 million at the end of 1987 (see Table 1).

In terms of sectors (excluding miscellaneous transactions), 10 per cent of the total was attributable to banks. Insurance companies more than doubled their holdings between 1984 and 1987 but still accounted for only 4 per cent in the later year. The share of oil companies was 29 per cent while the manufacturing sector accounted for 36 per cent.

By area (see Table 3), 36 per cent came from Western Europe (26 per cent from the European Community) and 51 per cent from North America (46 per cent from the United States). Developed countries accounted for 95 per cent.

Chancellor's Speech at International Monetary Fund Meeting

Speaking at the joint annual meeting of the International Monetary Fund and World Bank in Washington on 27 September, the Chancellor of the Exchequer, Mr Nigel Lawson, explained that the increases in the international mobility of capital meant that a shortage of domestic private savings in relation to planned private investment could be relieved by an inflow of funds from abroad. Accordingly, deficits on the current account of the balance of payments could be readily financed. In Britain, Mr Lawson noted the easing of inflationary pressures but warned that interest rates would remain high for as long as was necessary.

World Economy

Performance in the world economy, Mr Lawson said, had been generally satisfactory, particularly in the industrialised countries. Growth was slowing to a more sustainable level without any sign of the lapse into recession that some had feared. Invest-

ment had continued to grow rapidly, which would help to improve performance, and inflation had peaked as a result of swift action to tighten monetary policy in the countries concerned. International co-operation remained strong and there was a common view of the importance of controlling inflation and implementing supply-side reforms. This co-operation had been demonstrated by the recent effective action by central banks in the foreign exchange markets.

The most striking development of the past decade had been the movement towards deregulation, reliance on markets and a reduced role for governments. In particular, the virtual abolition of foreign exchange controls in the major economies, coupled with domestic deregulation and advances in information technology, had led to the creation of a global financial market. This had far-reaching effects on the conduct of economic policy.

One impact of this new freedom had been to make economic behaviour less predictable than previously. For example, as a result of people's enhanced ability to borrow, their spending was less constrained by the short-term path of their disposable income.

Another manifestation of the greater financial freedom was the emergence of a world market for savings. This had had profound effects – not least on the balance of savings and investment between countries – and had come at a time when, for the world as a whole, there were growing signs of a shortage of private savings in relation to planned private investment. Perhaps the strongest evidence for this shortfall, the Chancellor went on, were the historically high levels of interest rates. Their persistence throughout the developed world suggested that they were not a merely cyclical phenomenon.

Private savings in the major industrialised countries had also been declining as a share of gross domestic product during the 1980s and especially in the last few years. A number of contributory factors could be identified: improved economic performance might have boosted consumer confidence while increased personal wealth appeared to have reduced the perceived need to save; cultural factors might also have played a part.

All this underlined the need to eliminate budget deficits in those countries that had them. At a time of shortage of private savings in relation to planned private investment, it was surely wrong, Mr Lawson suggested, for governments to appropriate savings in order to finance their own expenditure. It would also be mistaken to do anything which discouraged savings even in those countries with a budget surplus.

The present high level of international capital mobility, with funds flowing from countries where savings exceeded investment to those where they fell short, meant that deficits on the current account of the balance of payments could be financed, sometimes for a sustained period. The International Monetary Fund had declared that external imbalances, inasmuch as they reflected decisions on private savings and investment, should be seen as efficient and self-correcting. The Chancellor explained that the international capital markets were carrying out one of their fundamental roles – allocating excess private savings to those countries where investment opportunities exceeded their domestic savings. For any one country, this meant that investment was not constrained by its own savings. For the world as a whole, the increase in capital flows had almost certainly produced benefits analogous to the gains from trade. It followed that current account imbalances had no implications for a country's exchange rate. To draw such implications would be to assign to the exchange rate an exaggerated role in the adjustment process.

Finely tuned fiscal policy was also a mistake, the Chancellor continued. Instead, Mr Lawson advocated the principle of the balanced budget. Even with the short-run fluctuations that were bound to arise, governments would be better served by adhering to this principle than by trying to compensate for imbalances between private savings and investment by making offsetting movements in public savings or investment. Such movements would require sharp changes that unnecessarily disrupted the stability of tax rates or sensible planning of public expenditure, with damaging consequences.

British Economy

The British economy, the Chancellor went on, had grown particularly rapidly in 1987 and 1988, following five years of relatively steady growth. Domestic demand had been driven by a boom in investment, which had increased by 23 per cent over the past two years. But with consumer spending also growing strongly, pressures on capacity had intensified and, as a result, inflationary forces had emerged.

Over a year ago the Government had tightened monetary policy sharply; that tightening was now producing its intended effects. The growth of domestic demand in 1989 was likely to be less than half the 1988 outturn of 7 per cent. The rate of increase in consumer spending had slowed markedly while the housing market, which had acted as the engine for much of the excessive growth of demand in the past few years, had now gone into reverse. However, investment growth remained strong; the capacity that had been added in recent years would play a significant role in expanding future supply.

The Government continued to run a large budget surplus but the fall in private savings and the growth in private investment had led to the emergence of a substantial current account deficit. The decline in private savings seemed to have come to an end this year as high interest rates[1] increased the attractiveness of saving and, in particular, raised the cost of borrowing to finance consumption. The slowing in the growth of demand was even evident in the current account figures. In recent months domestic demand had risen broadly in line with the growth of output. The deficit in 1989 would be higher than the £14,500 million forecast in the Budget in March (see p 134); however, as he had warned a year ago, the current account would be one of the last indicators to respond to monetary tightening. In time the growth of domestic demand would fall below that of output and the current account deficit would begin to decline. In the meantime, it could be readily

[1] Bank base rates were 14 per cent at the time. They rose to 15 per cent on 5 October.

financed during what was likely to be a gradual process of adjustment.

Of much greater importance were the clear signs that monetary policy was working and inflation declining. 'Getting inflation down, by maintaining high interest rates for as long as is necessary, remains the cornerstone of our policy', the Chancellor concluded.

British Consultancy Overseas

British firms of consulting engineers, architects and chartered surveyors attracted substantial amounts of new work overseas in 1988. New contracts secured by members of the Association of Consulting Engineers amounted to £9,708 million, representing an increase of 19 per cent over 1987.

The following account of some major overseas consultancy projects carried out during 1988 is drawn from an article in the 29 September issue of *British Business*.

Consulting Engineers

At the end of 1988 the capital value of projects under way overseas or completed during the year by members of the Association of Consulting Engineers (ACE; see p 336) was estimated at £32,800 million. Although the level of new contracts in the Middle East remained relatively low, new commissions in Africa increased significantly and those gained in the Far East doubled compared with 1987. The upturn in overseas work for British consulting engineers is regarded as significant in view of both increased international competition and an expanding domestic market which might have been expected to divert attention from overseas opportunities. Consulting engineers are involved in a wide range of projects overseas, including transport, commercial, residential and industrial developments, and water supply and waste management.

Transport

Although the Middle East is a declining source of new work, important projects are still in progress, particularly in the field of transportation. Highway schemes in Kuwait, for example, include the construction of 8 km (5 miles) of urban motorway with interchanges, tunnels and bridges, and the development of local roads. The estimated cost is £210 million. In Oman, a road being built between Mughsayl and Dhalqut will cost £100 million.

Much activity in the transport field continues in Hong Kong. Several railway schemes are being carried out, including the preliminary design of a £180 million freight station and commercial development, and various road, bridge and tunnel ventures. A British firm is acting as independent consultant for work which is continuing on an inter-urban toll expressway in Malaysia, which will provide more than 850 km (528 miles) of four- and six-lane highways running the length of the peninsula. The project, estimated to cost £1,200 million, is due for completion in 1995. British firms are working on the construction and strengthening of trunk roads in Botswana and Guinea and a £140 million scheme to build a 140 km (87 mile) road in Nigeria. Work was recently completed on a £160 million ring road for Tripoli, Libya.

Commercial, Residential and Industrial Developments

Members of the ACE are involved in a wide range of projects around the world to construct commercial, residential and industrial structures, ranging from an orchestral headquarters in Sydney, Australia, to office buildings in Zimbabwe. Among the many large hospital schemes is the 600-bed district facility planned for Rangoon in Burma and a 1,600-bed hospital for Hong Kong for which British firms are providing civil, structural and geotechnical engineering support. Office buildings, hotels, education and leisure facilities, retail centres, military facilities and housing schemes in many countries are being completed with the assistance of British engineering firms. In Datuk Bandar, Kuala Lumpur, 1,000 units of prefabricated accommodation are under construction and in Tanzania, 6,200 sq m (66,750 sq ft) of housing for bank staff is being completed.

Developing countries make extensive use of the services of British engineering skills in expanding their industrial capabilities. Projects currently under way include the reconstruction of shipbuilding facilities in Calcutta, India, the building of a gypsum plant capable of producing 1 million tonnes a year in the Yemen Arab Republic, and consultancy on a combined-cycle power station in Bahrain with an output of some 820 megawatts. The construction of a 2,640 megawatt power station in Hong Kong with a capital value of £230 million was completed in 1988. Work on nuclear and hydroelectric power plants continues in many countries with British consultancy help.

Water and Waste Management

Various projects to provide clean drinking water, to irrigate croplands and to secure adequate drainage and sewerage are being pursued around the world. The 'great man-made river' project in Libya is one of the most ambitious schemes of its type ever undertaken, with a value of some £2,300 million. Extensive consultancy is being provided to the contractors by British engineers. The Greater Cairo wastewater project, valued at £1,000 million, involves several British firms. Irrigation projects are under way in countries as far apart as Bahrain, Bangladesh, Indonesia, Cyprus, Madagascar and Jamaica.

Architects

British architects are in greater demand than ever before overseas. About one-quarter of British architectural practices already include the single European market (see p 49) in their business plans. For the most part, it tends to be the larger and better-known practices that build a high proportion of their work overseas.

One such firm is Foster Associates, which has recently been awarded three major international commissions. The firm's design for a telecommunications tower in Barcelona, Spain, was selected

after a competition, and the tower will be erected in time for the 1992 summer Olympics to be held there. Foster Associates is also involved in work on the metropolitan railway in Bilbao, Spain. As well as assisting in the refurbishment of existing stations and track, the firm is working with the Basque Government and the engineering firms Sener and Typse on the construction of nine new stations. The firm is also designing a technology park in Duisberg, Federal Republic of Germany, which will contain separate micro-electronics, business promotion and technology transfer centres.

The RMJM practice works extensively outside Britain, and this year obtained East European contracts for the first time, among which is the building of the Soviet Union's first golf and country club complex, which will include a hotel, casino, clubhouse and extensive sporting facilities. Like several other British firms of architects, RMJM is engaged in projects in Hong Kong. Work in progress there includes the development of housing, hospital, commercial and recreational facilities.

The firm Llewelyn-Davies Weeks is assisting with a low-income housing project in Jordan, financed by the Jordanian Government and the World Bank, as well as advising on the conservation and regeneration of the historic town of Salt. The firm is also advising on improving living conditions in the refugee camps of the occupied territories of the West Bank and Gaza in a project for the United Nations Relief and Works Agency and the Overseas Development Administration.

The Percy Thomas Partnership (PTP) of Cardiff is continuing work in many countries. The firm has completed three projects in the Middle East in the past year, including the new British embassies in Kuwait and Jordan and the Pyramids Hospital in Cairo. It has a long-standing interest in Hong Kong and has now expanded its operations to Malaysia, Thailand and Indonesia within south-east Asia.

The Halpern Partnership of London in association with a United States firm have together carried out large projects in China and a project of industrial, high-technology warehousing adjacent to Schipol airport in the Netherlands. The practice ASFA has obtained considerable amounts of new work in Japan, where it has been given five new commissions, and in Italy. One Japanese project involves the creation of a 4,000-bed resort in the Southern Seto Nagura region; another commission is for the planning of Kuka town on Oshima island which will have a population of 4,000 people.

Culpin Planning has long been associated with the World Bank, the Asian Development Bank, the United Nations Development Programme and the United Nations Centre for Human Settlements. It is playing a key role for them in a current urban management programme. The firm is engaged in implementing development programmes, municipal finance and in addressing land policy and management issues in Indonesia. Following major floods in Bangladesh, Culpin Planning helped to formulate a project for the reconstruction of flood-damaged houses and settlement areas.

Surveyors

Motivated by a continued awareness of the opportunities for expansion into new markets which the single European market will create, firms of British chartered surveyors have forged links with firms in other European countries and in some cases entered into mergers with continental companies. Both Europe and Australasia have become important target areas for international investors in the property market, investment which has been led by Japanese and United States multinational companies. These developments help to secure a long-term presence for British firms of surveyors overseas.

In Europe and in Australasia, chartered surveyors' work often centres on the development and sale of commercial building developments. In Cyprus, for example, a British firm has provided contractual advice on hotel developments worth £55 million. Another has valued an aluminium factory in Luxembourg for acquisition finance. In Australia, another firm has been chosen to give economic and market advice on a £195 million mixed-use development on the Gold Coast. In other parts of the world, the work of British surveyors ranges from the supply of aerial surveys and digital cartographic services in Saudi Arabia to the sale of the Pan Am building in New York, the largest real estate financial transaction for a single building ever recorded.

Health and Safety

Two recent significant developments in health and safety at work include new regulations to protect the health of people exposed to hazardous substances and regulations to protect people from the risk of hearing damage caused by loud noise.

Hazardous Substances

The Control of Substances Hazardous to Health Regulations 1988[1] took effect on 1 October and are considered by the Health and Safety Commission to be 'the most far-reaching health and safety legislation since 1974', when the Health and Safety at Work etc. Act was introduced. The regulations replace a range of legislation which applied only to certain sectors of industry by a 'comprehensive and systematic approach to the control of exposure to virtually all substances hazardous to health in all types of work and workplace'. The Secretary of State for Employment, Mr Norman Fowler, said on 2 October that some of the health problems arising from exposure to hazardous substances in factories had long been recognised, as set out in 'about 50 sets of outdated, restricted and inflexible regulations and orders', which were being succeeded by 'a clear statement of good occupational hygiene practice'.

Substances subject to the regulations include those labelled as dangerous (toxic, harmful, irritant or corrosive), pesticides and other chemicals used on farms, substances with occupational exposure limits, harmful micro-organisms, substantial quantities of dusts and other substances which can harm health. However, some substances – asbestos, lead, materials producing ionising radiation and sub-

[1] *Control of Substances Hazardous to Health Regulations 1988.* SI 1988/1657. HMSO, £3·30. ISBN 0 11 087657 1.

stances in mines – which are covered by their own legislation are excluded from the regulations.

The regulations set out measures that must be taken by employers and employees, and practical guidance on compliance with the regulations is given in various codes of practice. Failure to comply with the regulations constitutes an offence and is subject to penalties under the 1974 Act.

Main Principles

The basic requirements for employers under the regulations are:

1 to assess the risk to health arising from work and the precautions that are needed;

2 to introduce appropriate measures to prevent or control the risk;

3 to ensure that control measures are used, equipment is properly maintained and that procedures are observed;

4 where necessary, to monitor the exposure of workers and to carry out appropriate surveillance of their health; and

5 to inform and train employees about the risks and precautions to be taken.

Noise

New regulations on noise at work were laid before Parliament on 5 October and will enter force on 1 January 1990.[1] Announcing the regulations, Mr Patrick Nicholls, Parliamentary Under-Secretary of State at the Department of Employment, said that they were an important part of the Government's legislation to protect people at work. They are based on the requirements of a European Community directive designed to reduce the damage to hearing caused by loud noise in the workplace, which is being implemented in the Community by the beginning of 1990 (by 1 January 1991 in Greece and Portugal).

Action required by the regulations depends upon the level of noise exposure, which is measured in decibels (dB).[2] The regulations apply to all those in the workforce in Great Britain except those on board aircraft and shipping, where standards are generally regulated under international agreements. Three 'action levels' of noise are specified: a first action level of 85 dB(A), a second action level of 90 dB(A) and a peak action level of 200 pascals (which would affect mainly situations involving isolated noise impulses, for example, the use of explosives). Employers have a general duty to reduce the risk of damage to the hearing of their employees to the lowest level reasonably practicable. They must arrange for an adequate noise assessment to be made if an employee's exposure is likely to reach any of the action levels. Above the first level employers must provide suitable and efficient ear protectors to employees who ask for them. Where exposure reaches the second or peak action levels employers must provide all exposed employees with ear protection and have to take more action, including ensuring that exposure is reduced as far as reasonably practicable (other than by provision of personal ear protectors). An area where an employee's exposure is likely to reach these levels is designated an 'ear protection zone', and employers must mark the zones with signs and ensure that everyone entering a zone is wearing ear protectors. Employees must co-operate with their employer by wearing ear protectors above the second or peak action levels, properly using any other noise control equipment and reporting any defects found. Machine manufacturers and suppliers have to provide adequate information with machines likely to cause noise exposure of 85 dB(A) or more.

[1] *The Noise at Work Regulations 1989.* SI 1989/1790. HMSO, £1·65. ISBN 0 11 097790 4.

[2] The most commonly used unit of measurement is the A-weighted decibel – dB(A). The dB scale is logarithmic, so that broadly speaking an increase, or decrease, of 10 dB(A) represents a doubling, or halving, of the loudness level. In Britain it is estimated that about 1·7 million people may be exposed to noise levels at work of 85 db(A) or more, of whom over 630,000 are exposed to noise above 90 dB(A). For further information see COI reference paper *Control of Noise Pollution in Britain,* No 227/88.

New LINK Programmes

Four new programmes under the LINK scheme have been announced, in Power Electronic Devices and Derived Systems; the Control of Plant Metabolism; Technology for Analytical and Physical Measurement; and Molecular Sensors.

Power electronic devices, such as diodes, transistors and thyristors, are designed to handle very high currents, in contrast to the microchip which handles only millionths of an ampere. The four-year Power Electronic Devices and Derived Systems programme will focus on semiconductor devices, electric drive systems, power conversion and uninterruptible power supplies. The 50 per cent government share of the funding will be made up of £3·2 million from the Department of Trade and Industry (DTI) and £3·8 million from the Science and Engineering Research Council (SERC). There have been indications from at least 12 industrial firms and academic institutions that they would like to participate in the programme.

Government funding of £1·5 million will be available for the Control of Plant Metabolism programme, contributed jointly by the DTI, the SERC and the Agricultural and Food Research Council (AFRC). The programme will focus primarily on three areas: the ways in which plants convert simple compounds, such as sugars, to compounds of commercial importance; the routes by which compounds necessary for the growth and development of plants are produced; and the biochemistry of plant development, for example, the ways in which the onset of flowering is controlled. Improved understanding of basic plant metabolism will enable advances in plant molecular genetics to be exploited, leading to the development of new and improved plant varieties.

The programmes on Technology for Analytical and Physical Measurement and on Molecular Sensors were announced by the Minister for Industry and Enterprise, Mr Douglas Hogg, on 27 September. Both, he said, were particularly relevant to the instrumentation industry, which was characterised

by a high proportion of small, innovative companies. These would benefit most directly from collaboration, sharing the costs and risks associated with developing necessary underlying technologies.

The Analytical and Physical Measurement programme will put particular emphasis on advances in accuracy, in speed of measurement and in the limits of detectability. It will complement the LINK programme on Industrial Measurement Systems announced in February 1988 (see p 70, 1988). The programme will encourage projects in certain key areas, including environmental monitoring, biotechnology and life sciences, pharmaceutical chemistry and agrochemistry, and materials science. The 50 per cent government contribution to the total funding will be made up of £6 million from the DTI and £2 million from the SERC, and the programme will run for four years. Over 50 companies and 20 research groups have so far expressed an interest in participating.

Molecular sensors are devices which enable the presence of target substances in mixtures to be detected and their concentration to be measured directly and quickly without recourse to laboratory analysis. The Molecular Sensors programme will focus on sensors for metal and small molecular ions, and optical isomers; immunoassay and enzymatic techniques for biological and complex chemical systems; optical and acoustic wave techniques; sensors for non-destructive testing; solid state sensor devices; and technology related to robustness, calibration, validation, manufacture and storage.

The DTI will contribute up to £3·25 million, the SERC up to £1·5 million and the AFRC £250,000 for the five-year programme. In addition, the Department of Health will support individual projects with particular relevance to health care. Over 100 companies and academic research groups have expressed an interest.

Background

The LINK scheme, which is designed to bridge the gap between scientific research and commercial applications of its results by promoting collaboration between industry and publicly funded scientists, was launched in December 1986 (see pp 29-30, 1987). The first five programmes were approved in January 1988 (see pp 70-1, 1988). The present programmes bring the number announced so far to 21, with a total projected expenditure of some £290 million of which the Government will contribute half.

Shorter Notes

INDUSTRIAL DEVELOPMENT ACT REPORT

The annual report describing assistance under the Industrial Development Act 1982 during the year ended 31 March 1989 has been presented to Parliament. Commentaries by the various Industrial Development Advisory Boards on their activities are included.

Regional development grants continued to provide a major element of support to industry in the assisted areas (see pp 54, 59-60, 1988). Grant payments under the original scheme totalled £36·1 million in England, £25·8 million in Scotland and £13·6 million in Wales during the year. Under the revised scheme, some 9,850 applications totalling some £490 million of assistance were approved. These projects were expected to involve the same amount of forecast capital expenditure and the creation of 122,000 jobs.

Regional selective assistance, provided for by section 7 of the Act, encourages viable new enterprises which can expand employment in the assisted areas and those which can safeguard existing employment through modernisation and rationalisation projects. Grant assistance under the scheme totalled £247·9 million during the year: £117·5 million in England, £49·4 million in Scotland and £81 million in Wales.

Regional enterprise grants, available under section 8 of the Act since April 1988 for businesses employing fewer than 25 people in the development areas of Great Britain, are intended to improve the performance of small businesses in qualifying areas through increased investment and through new product and process developments which increase or safeguard employment. During the year, a total of 2,551 applications for innovation grants under the scheme were received, and grant offers valued at £11 million were made in respect of 1,314.

The Government claims a contribution from the European Regional Development Fund (ERDF) towards regional assistance and during the year £26·8 million was received for Great Britain. The ERDF offers specific measures grants jointly with the British Government in areas of Britain affected by job losses in the steel, shipbuilding, textile, clothing and fisheries industries to help secure their economic recovery. During the year, such assistance totalled £62·4 million, of which the ERDF contribution was £43 million. Over the same period, £70 million of loans under the Exchange Risk Guarantee Scheme were dispersed, making use of European Coal and Steel Community funds. It was estimated that 95 per cent of this lending was made to small firms. These funds helped to create some 6,000 jobs.

Other assistance included £31 million for improvements to basic services in assisted areas; £57 million spent by the English Industrial Estates Corporation, providing factory units to be sold or let in the assisted areas; and £81·1 million for 536 projects involving the acquisition or clearance of derelict land.

Section 8 of the Act provides for national investment support under a variety of schemes, including support for small firms through over 21,000 guarantees for loans amounting to over £700 million between June 1981 and March 1989, standards certification, and microelectronics and manufacturing technology development. During the year, grants of £51·4 million were made available to secure orders for the building of 31 ships by British firms.

Offers totalling £139·5 million were made during the year under section 7 of the Act to foreign companies for 91 investments in Britain, which were

expected to create some 13,000 jobs and safeguard over 5,000 others.

Source: *Industrial Development Act 1982.* Annual Report by the Secretaries of State for Trade and Industry, Scotland, Wales and Employment, for the year ended 31 March 1989. HMSO, £8·20. ISBN 0 10 254289 9.

TRANSPORT IN NORTHERN IRELAND

Details of a programme of major improvements in transport in Northern Ireland were announced by Mr Richard Needham, Parliamentary Under-Secretary of State, Northern Ireland Office, on 25 September. The five-year programme, covering the period 1989 to 1993, is designed to improve links between Northern Ireland, the Irish Republic and other parts of Britain and Europe; and to provide a transport network catering for the safe and efficient movement of people and goods, while protecting the environment. Expenditure plans of the authorities involved amount to some £485 million. Mr Needham said that it was 'the most significant programme of improvement for Northern Ireland's transportation infrastructure ever contemplated'. The schemes would go 'a long way towards reducing the effects of Northern Ireland's peripheral location on the edge of Europe'. Those schemes in the programme which address this aspect will receive support of over £93 million from the European Regional Development Fund.

Commercial ports play a major role in the Northern Ireland economy and the programme includes the development of Belfast as the principal port in the province; the development of Larne as the main roll-on, roll-off and passenger port; the relocation and modernisation of the port of Londonderry; and developments at Warrenpoint and Coleraine. Airport schemes planned include a number of projects at the largest airport, Belfast International Airport at Aldergrove, including a new cargo terminal and an extension to the terminal building; improvements to Belfast City Airport to support its role as a commuter airport; and development of Northern Ireland's two other airports, at Eglinton in the north-west and St Angelo in the west. Road improvements will be concentrated on the strategic road network to provide high-standard road links in the Belfast area (including a cross-harbour road bridge) and between the district towns, as well as to the major ports and airports, and on routes to the Irish Republic. Northern Ireland's two rail systems will be linked by a cross-harbour rail bridge in Belfast, while a major scheme of improvements is planned for the Belfast to Dublin rail line.

Source: Northern Ireland Information Service press notice, 25.9.89.

WASTE DISPOSAL

The Government has set out its proposals for improving the standards of waste disposal in England and Wales, and its legislative intentions are contained in two documents published on 26 September. Announcing the new measures, Mr David Trippier, Minister of State at the Department of the Environment, said that local government would have a central role in monitoring and improving standards. District councils would become the first contact point for the public on industrial pollution controls. They would make publicly available the full registers of the integrated pollution control requirements over discharges to land, water and air that were to be regulated by Her Majesty's Inspectorate of Pollution (HMIP) and the industrial air controls to be met by environmental health departments. The Government intended to give HMIP reserve powers to intervene if an authority failed to carry out its duty to control industrial plants to the highest standards expected. The new measures would add to proposals announced in 1988 (see p 247, 1988) which included a new duty of care on those producing and handling waste so that they would be responsible for ensuring its proper disposal.

The main features were outlined by Mr Trippier, who said that the Government intended to introduce legislation at the earliest opportunity:

1 The Government has decided to retain the system of licensing and enforcement based on local government, but the regulatory role of waste disposal authorities would be strengthened and they would be renamed waste regulation authorities, except in London.

2 The operating activities of waste disposal authorities would be transferred to separate local authority companies, initially controlled by local authorities, although there would be scope for private sector investment. Companies would be able to bid for the work of waste disposal put out to tender by their parent authorities and would be subject to the same environmental controls as private sector companies.

3 HMIP would be given stronger powers to oversee the work of local authorities, and the Secretary of State for the Environment and the Secretary of State for Wales would have stronger powers to direct authorities which failed to carry out their duties satisfactorily.

4 New powers would be introduced to prosecute people who lent or hired their vehicles for 'flytipping' (the illegal dumping of domestic or industrial wastes).

5 Powers would also be proposed to enable international trade in waste to be controlled by providing full information on the wastes, and to restrict or prohibit the movement of waste where it was likely to damage the environment.

Sources: Department of the Environment press notice, 26.9.89; *The Role and Functions of Waste Disposal Authorities: Announcement of Government Decisions,* Department of the Environment and Welsh Office; *Waste Disposal Law Amendments: Follow-Up – Decisions Following Public Consultation,* Department of the Environment and Welsh Office. Both are available free from the Department of the Environment, Room A222, Romney House, 43 Marsham Street, London SW1P 3PY.

SOCIAL AND CULTURAL AFFAIRS

Measures against Illicit Drug Trafficking

A substantial package of assistance to help Colombia's anti-drug programme was announced in September. In April 1990 Britain will host an international conference on cocaine and the reduction of illicit drug demand.

Background

Peru and Bolivia are the largest producers of coca from which cocaine is derived. Colombian drugs cartels are responsible for processing and trafficking about 90 per cent of the world's cocaine. The United States is the principal market for cocaine, but the drug is also increasingly entering Europe.

Many members of the Colombian judiciary and security forces have been killed by the drug traffickers, as have politicians and journalists. In mid-August a senator and leading contender for the Presidential succession (Senator Galan), a leading judge and a police chief were murdered by traffickers. In response the Colombian Government launched a clamp-down on the traffickers; numerous arrests were made and property and assets seized under wide-ranging emergency decrees made by President Virgilio Barco Vargas. The drug traffickers responded by a campaign of violence and bombing.

On 1 September Britain's Prime Minister, Mrs Margaret Thatcher, wrote to President Barco expressing support, offering practical assistance and inviting him to address the international conference in London in April 1990 (see below). Commenting on the situation in Colombia in a speech to the International Parliamentary Union on 6 September, Mrs Thatcher said: 'A challenge to the rule of law, any effort to replace it by rule of force, is an attempt to overthrow both democracy and liberty. That is what we are witnessing at present in Colombia, and we should all make clear our support for President Barco and for Colombia's judges and security forces in their fight against the drug barons. Their courage is remarkable and they deserve all the moral and practical help we can give them.'

Britain has also proposed that the United Nations Security Council should pass a resolution calling on all member states to support national and international efforts to combat drug trafficking and express approval of the Colombian Government's stand.

On 23 August the United States President, Mr George Bush, publicly supported the actions of the Colombian Government and made available $65 million in the form of equipment, weapons, vehicles and aircraft. The United States has also asked European Community countries for help in extraditing the 12 most wanted traffickers should they be present in these countries. Britain has stated that it will co-operate fully in this respect.

British Action

British help to Colombia, which will cost an estimated £2·5 million, will include secure communications equipment to assist the authorities in the protection of government officials, judges and other members of the Colombian authorities under threat from the drug traffickers; a range of non-lethal technical equipment to assist the anti-drug agencies; and technical assistance, training and equipment, including a computerised database, to assist the judicial authorities in bringing offenders to justice. Training will also be provided in other areas, including the protection of senior officials, bomb disposal and scene-of-crime techniques. Periodic deployment of Royal Navy vessels will take place to assist the Colombians with maritime surveillance.

These measures have been carefully targeted to meet Colombian needs following a visit to Bogota by a team of British officials earlier in September.

International Drugs Conference

An international conference on cocaine and the reduction of illicit drug demand is to take place in London from 9 to 11 April 1990. Invitations to address the conference have been extended to the United Nations Secretary-General, Sr. Perez de Cuellar, as well as to the Colombian President.

Giving details on 5 September, the Home Secretary, Mr Douglas Hurd, said that the momentum of international action against drug abuse and trafficking had to be maintained. This was the reason why Britain had decided to organise the conference, which would provide an opportunity for countries to share their experiences and show their commitment to do their utmost to avert the misery which the drugs trade had brought.

Mr Hurd added that a major stride forward had taken place in 1988 with the adoption of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (see p 15). The Convention was a practical basis for international co-operation to defeat the suppliers of illicit drugs; it was now necessary to reduce demand for these drugs, without which the drug traffickers would soon be out of business.

Drug Prevention Measures in Britain

Some £2·3 million is being made available by the Government from April 1990 to establish locally based drug prevention teams in nine selected areas in England and Wales, the main target being young people who may be at risk from drugs. The teams will be accountable through a central drug prevention unit to the Ministerial Group on the Misuse of Drugs chaired by the Home Secretary.

Giving details on 11 October, the Home Office said that the teams would help harness and stimulate local community action against drugs and encourage parents, local businesses, the churches and other voluntary groups to play a positive role in preventing drug misuse.

The new initiative is designed to complement the Government's overall strategy against drug misuse. This comprises action to reduce the supply of illicit drugs from abroad (see p 244); more effective law enforcement (see pp 69-71, 1986); the tightening of controls on drugs produced and supplied in Britain; and the development of effective programmes to treat and rehabilitate misusers and to discourage young people from experimenting with drugs. The Ministerial Group was established in 1984 to oversee, develop and review the implementation of this strategy.

Over £17·6 million has been provided for local treatment and rehabilitation projects for up to six years through the government health departments. An additional £9·5 million was made available in England in 1988-89 – increasing to £15 million in 1989-90 – for the further expansion of health services for drug misusers. Similar projects are in progress in Wales and Scotland. A drugs advisory service has been set up by the Government to advise district health authorities on the development of facilities in their areas. There is also a national and regional drug prevention publicity campaign, costing £3 million a year.

Some £7 million is being provided through the Department of Education and Science to allow the appointment of a drugs/health education co-ordinator in each local education authority, together with related in-service training for teachers.

Shorter Notes

NEW HEART TRANSPLANT CENTRES

A major expansion in Britain's heart transplant programme (see p 31) was announced on 5 September. Two new centres, at St George's Hospital, London, and the Northern General Hospital, Sheffield, will receive funding from April 1990. This brings the number of heart transplant centres in England to six.

The number of heart and heart-lung transplants carried out in Britain has grown significantly since 1979 when three heart transplant operations were performed. In 1988 the number had risen to 375. The four existing heart transplant centres have together received a total of over £9 million for the year 1989-90. Funding for the two new centres will be announced later in the year.

Source: Department of Health press notice, 5.9.89.

LITERACY AND NUMERACY INITIATIVE

A joint venture involving the Training Agency, the Department of Education and Science's Adult Literacy and Basic Skills Unit and the British Broadcasting Corporation (BBC) was launched on 27 September to help people with literacy and numeracy difficulties. Under the Basic Skills Accreditation Initiative, which will last three years, television and radio and specially commissioned printed material will be used to improve the communication skills and numeracy of an estimated 6 million adults. New nationally recognised qualifications, including City and Guilds certificates in communication and numeracy, are to be developed, and a referral service is to be created to put people in contact with 60 new open-learning centres and other local learning facilities. The referral service will also provide advice on training opportunities, such as the Department of Employment's Youth Training Scheme and Employment Training Scheme (see pp 429-35, 1988).

The BBC will present programmes concentrating on communication skills from autumn 1989 to summer 1990 and on numeracy from autumn 1990 to summer 1991. The first television programmes will try to encourage people to think about communication skills and to attract potential learners. Other programmes on television will examine in detail aspects of writing, reading, talking and listening, with the aim of producing strategies to promote more skilful communication. Radio programmes will help tutors and trainers to develop appropriate teaching and assessment methods, and there will be a series of six radio programmes in which stories for new or hesitant adult readers will be read and various kinds of writing examined.

Sources: Department of Employment press notice, 27.9.89; Basic Skills Accreditation Initiative information notes.

DERELICT LAND

Proposals for significant changes to the derelict land programme in England were set out in a report by the Department of the Environment, published on 20 September. In a statement on the review, Mr Michael Howard, Minister of State at the Department of the Environment, said that the Government wished to achieve both reclamation of sites for development and restoration projects to improve the environment. The Government's main proposals were to redefine policy objectives along these lines, to encourage a greater number of local authorities to set up their own derelict land programmes, to give more financial incentives to enable voluntary organisations such as Groundwork Trusts (which aim to tackle environmental problems, including dereliction) to carry out more environmental reclamation and restoration work, and to promote nature conservation and the creation of wildlife habitats on suitably reclaimed derelict sites.

The review notes the provisional results of the 1988 Derelict Land Survey which show that the amount of derelict land has fallen by 11 per cent since the previous survey in 1982, to 40,500 hectares

(100,100 acres) in 1988. Derelict land takes many different forms, ranging from colliery spoil heaps in remote rural locations to old industrial sites in the inner cities. The main government programmes dealing with derelict land are Derelict Land Grant, the Urban Programme, City Grant and Urban Development Corporations.[1] The review says that they have achieved considerable results, with the reclamation of 14,000 hectares (34,600 acres) since 1982. Nearly 13,300 hectares (32,900 acres) of land were reclaimed with the aid of Derelict Land Grant between April 1979 and the end of March 1989. In 1989-90 resources available for Derelict Land Grant total £67·2 million, with schemes in inner city areas accounting for about 30 per cent of the programme.

The report makes a number of recommendations on objectives and priorities, extending preventive measures, and assisting and managing reclamation more effectively. Some proposals are to be further considered, and the Department of the Environment intends to publish a consultation paper on measures which would prevent owners from allowing land to become derelict. The review puts forward a number of options for simplifying the rates of Derelict Land Grant, but the Government has not formed any conclusion on the proposals. However, its view is that the new system of local government finance (see pp 17-18, 1988, and pp 322-3) offers possibilities for change which could lead to improved value for money and greater freedom for local authorities, and a consultation paper is to be issued setting out the options.

Sources: Department of the Environment press notice, 20.9.89; *A Review of Derelict Land Policy*. Available free from the Department of the Environment, 2 Marsham Street, London SW1P 3EB.

[1]For detailed information see COI reference pamphlet *Urban Regeneration in Britain*, No 263/89.

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Residence in Britain: Notes for People from Overseas. COI, No 82/89.

Her Majesty's Inspector of Prisons for Scotland: Report for 1988. Cm 725. HMSO, Edinburgh, £4·20. ISBN 0 10 107252 X.

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Developments in the European Community: January-June 1989 (see p 377). Cm 801. HMSO, £6·80. ISBN 0 10 108012 3.

British Aid Statistics, 1984-1988 (see p 378). Overseas Development Administration, £6·75. Available from the Library, Overseas Development Administration, Abercrombie House, Eaglesham Road, East Kilbride G75 8EA. ISBN 0 902500 37 6.

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1992: Health Controls and the Internal Market. The Government's Response to the Ninth Report from the House of Lords Select Committee on the European Community (Session 1988-89). The Government welcomes this report on the European Commission's proposals for animal and plant health measures to come into force when the single European market is established. Cm 815. HMSO, £2. ISBN 0 10 108152 9.

Pesticides and Food: A Balanced View. Ministry of Agriculture, Fisheries and Food. Describes the high quality of care that goes into the control of pesticides, from the initial approval process; through the laying down of conditions for their use, which include maximum permitted residue levels; to constant surveillance and enforcement. Available free from Food Sense, London SE99 7TT.

Forestry in Britain. COI, No 324/89.

Taxation of Woodlands (Forestry Commission Bulletin 84). HMSO, £2·50. ISBN 0 11 710274 1.

Transport Statistics Great Britain 1978-1988. Department of Transport. HMSO, £18·95. ISBN 0 11 550934 8.

Charging for the Occupation of Road Space by Undertakers of Works: Proposal for Legislation. A consultation paper containing proposals to introduce charges on public utilities, builders and others whose works obstruct the roads and cause serious delays to traffic. Available free from Highways Maintenance Division, Department of Transport, 2 Marsham Street, London SW1P 3EB.

Scottish Lowland Airports Policy Consultation Document. Sets out some of the main issues involved in the review of government policy on Scottish airports. The aim of the review is to determine whether the Government should maintain a special policy on Scottish airports (under which Prestwick was identified as the airport at which long-haul intercontinental services should arrive and depart) or adopt the less restrictive approach applied generally in Britain. Available free from the Department of Transport, 2 Marsham Street, London SW1P 3EB.

Casualties to Vessels and Accidents to Men: Vessels Registered in the United Kingdom. Return for 1988.

Department of Transport. HMSO, £6·80. ISBN 0 11 550928 3.

Merchant Fleet Statistics 1988. Department of Transport. HMSO, £7·10. ISBN 0 11 550929 1.

National Radiological Protection Board Report 1987-1989. Available free from Information Services, NRPB, Chilton, Didcot, Oxfordshire OX11 0RQ.

Biotechnology in Britain. COI, No 261/89.

Report on the Disposal of Waste at Sea 1986 and 1987. Ministry of Agriculture, Fisheries and Food. HMSO, £5·20. ISBN 0 11 242874 6.

Waste Disposal Law Amendments: Follow-Up – Decisions Following Public Consultation (see p 391). Department of the Environment and Welsh Office. Available free from the Department of the Environment, Room A222, Romney House, 43 Marsham Street, London SW1P 3PY.

The Role and Functions of Waste Disposal Authorities: Announcement of Government Decisions (see p 391). Department of the Environment and Welsh Office. Available free from the Department of the Environment, Room A222, Romney House, 43 Marsham Street, London SW1P 3PY.

Social and Cultural Affairs

Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Opened for signature at Vienna from 20 December 1988 until 28 February 1989 and subsequently at the United Nations Headquarters, New York, until 20 December 1989. Cm 804. HMSO, £3·90. ISBN 0 10 108042 5.

Aspects of Primary Education: The Teaching and Learning of Science. One of a series of inspection reviews of teaching and learning in subjects on the primary curriculum, this report draws on nearly 400 inspections of primary schools in England since 1982. Department of Education and Science. HMSO, £3·95. ISBN 0 11 270694 0.

The English Polytechnics: An HMI Commentary. A report by Her Majesty's Inspectorate based on the findings of 150 inspections of polytechnics conducted since 1983. Department of Education and Science. HMSO, £2·50. ISBN 0 11 270692 4.

Housing and Construction Statistics 1978-88. Department of the Environment. HMSO, £20. ISBN 0 11 752253 8.

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